Capital in the Twenty-First Century by Thomas Piketty
translated by Arthur Goldhammer
(Cambridge, MA, Harvard University Press, 2014)

The English edition of Thomas Piketty's book has enjoyed sensational sales, far beyond anyone's expectations and on a scale completely unprecedented for a 685-page economics tome. Harvard University Press initially issued 10,000 copies—already a large print run for a US academic publisher. Those were snapped up immediately, and the Press scrambled to print more in short order. Six months after its publication, the book had sold 400,000 copies. As of this writing (September 2014) it has been on the *New York Times'* nonfiction "best seller" list continuously since it first appeared in bookstores; it was ranked first on that list for three weeks, a status that no other book published by Harvard's century-old press has achieved. During Piketty's speaking tour at American universities in spring 2014, audiences greeted him like a rock star. His visit also included a television appearance on the hugely popular *Colbert Report*.[1] *Bloomberg Businessweek's* May 2014 cover story on "Piketty-mania" perhaps best captured the US reception of both the book and its author.[2]

To be sure, as an enterprising mathematician recently pointed out in the *Wall Street Journal*, the book has been purchased far more often than it has been read, and may even have set a new record in regard to the small proportion of pages readers managed to get through before abandoning the effort, as measured by e-book data.[3] That said, the prose is graceful and engaging, written (and translated by the peerless Arthur Goldhammer) with the general reader in mind. Despite its daunting length, it is accessible to any interested layperson whether or not she has any background in economics. Even the passages in which Piketty differentiates his own perspective from those of other economists are written in plain, non-technical language. And of course those who lack the time or stamina to follow the book through to its

[1] http://fortune.com/2014/08/22/contagion-how-america-fell-in-love-with-capital-piketty/.

[2] http://www.businessweek.com/articles/2014-05-29/pikettys-capital-economists-inequality-ideas-are-all-the-rage.

[3] http://online.wsj.com/articles/the-summers-most-unread-book-is-1404417569.

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end can easily find expert summaries of its main arguments in the ubiquitous reviews and commentaries in print and on line.[4] Or they can watch one of the Piketty talks available on YouTube, which hundreds of thousands of people have viewed (although perhaps not in their entirety). Referring to the far smaller number who have personally attended one of his live public lectures, the British *Guardian* quipped, "If m is victims of Piketty mania and u the number of people who understand what he's on about, then while before the lecture, $m > u$, after it, the ratio is $m < u$."[5]

Had the book, which was long in the making, appeared a few years earlier, it surely would have won widespread acclaim among social scientists and policy wonks. But would it have found such a broad popular following in the United States? I doubt it. The issue of inequality first captured the American public imagination in 2011 in the wake of the meteoric Occupy Wall Street uprisings. As a physical presence in the streets of American cities, Occupy was soon forced to dissipate, but it has left an enduring legacy. Ever-growing economic inequality and the obscene level of wealth enjoyed by the "one percent" remain stubbornly salient themes in US political discourse. The skyrocketing growth in the income and wealth of the "top centile" is one of Piketty's central themes, and in that respect he rode in on the coat tails of the Occupy narrative.[6] This alone goes a long way toward accounting for his book's runaway success—an important and fascinating phenomenon in its own right.

At the same time, the rich scholarship of *Capital in the Twenty-First Century* endows the Occupy narrative with new gravitas. By any standard, the book is an extraordinary achievement. As its admirers note and its critics concede, Piketty and his collaborators have amassed an invaluable collection of data on the distribution of income and wealth over time and space. They painstakingly compiled tax records and other primary sources that are far more accurate and detailed, and reach back much further in time, than the household surveys on which previous literature has relied. The resulting dataset is especially comprehensive for France, England, and the United States and quite extensive for Germany, Japan and to a lesser degree

[4] Of the many summaries of the argument, the most cogent I have read is Robert W. Solow's "Thomas Piketty Is Right," *The New Republic*, 22 April 2014. http://www.newrepublic.com/article/117429/capital-twenty-first-century-thomas-piketty-reviewed.

[5] http://www.theguardian.com/books/2014/jun/17/thomas-piketty-lse-capitalism-talk.

[6] Piketty mentions the Occupy Wall Street movement only briefly on p. 254.

Sweden. For other countries the available records are more fragmentary but whatever is available is included. The book offers an analytic overview of all the material; full details are contained in a massive on-line technical appendix.

Piketty's central argument, as most readers of this review surely know by now, is that one structural feature of capitalist economies—what he calls its "central contradiction" (p. 571)—is that the rate of return on capital tends to exceed the rate of economic growth: $r > g$. Or, in the vernacular, the rich get richer. In the absence of government intervention or external "shocks" to the system, "once constituted, capital reproduces itself faster than output increases", Piketty concludes, adding, in one of the book's most memorable rhetorical flourishes, "[t]he past devours the future" (p. 571).

Wealth (a term which Piketty uses interchangeably with "capital", as noted on p. 46 of the book) is measured in relation to total national income, facilitating comparisons over time and across countries. In periods of slow growth, which were typical before the nineteenth century and have now reemerged in the twenty-first, social mobility becomes highly constrained, inherited wealth becomes more important, and inequalities grow apace. Against the background of today's low tax rates (relative to the mid-twentieth century) in most rich countries, if widespread predictions of slow demographic and productivity growth in the coming decades prove correct, the result will be a widening gap between r and g. That will lead in turn to a new regime of "globalized patrimonial capitalism" (p. 473) with levels of inequality as high, or even higher, than in nineteenth-century Europe. For Piketty this specter is not only a problem in its own right; it also endangers the future of democracy.

He emphasizes repeatedly that this prediction is historically contingent and that public policy could yield a different outcome. "The distribution of wealth has always been deeply political, and it cannot be reduced to purely economic mechanisms", he writes. "The history of inequality is shaped by the way economic, social and political actors view what is just and what is not, as well as by the relative power of those actors and the collective choices that result" (p. 20). With this in mind, the last part of the book makes an impassioned case for a progressive global tax on capital—or absent that, a regional one for Europe—to limit the future growth of inequality.

Piketty makes much of the exceptional historical period between World War I and the 1970s, when a variety of political and social developments conspired to compress inequality dramatically. Unfortunately the book offers far less detail on those developments than on other topics. There are repeated references to the economic "shocks" of the two World Wars and of the Great Depression. In Europe, Piketty argues, vast amounts of capital were literally destroyed in those wars; "the decline in the capital/income ratio between 1913 and 1950 is the history of Europe's suicide, and in particular of the euthanasia of European capitalists" (p. 149). As Western Europe began to recover after 1945 not only was growth relatively strong but its new social democratic regimes were also deeply committed to redistributive policies. Those twin developments would combine to limit the gap between *r* and *g* for decades to come.

However, that stylized account does not fit the case of the United States, where dramatic compression in income inequality also took place between the 1930s and the 1970s, even though neither of the World Wars was fought on its soil. Piketty is well aware of this, noting that "the shocks of the twentieth century struck America with far less violence than Europe" (p. 152), and adding that nevertheless New Deal policies did "reduce the influence of private capital [...] just as in Europe" (p. 153). He points out that the United States also had a more progressive income tax than its allies on the other side of the Atlantic. How and why all this took place is not explored, however. Similarly, Piketty points out that before World War I levels of inequality in the United States were less extreme than in "Old Europe", whereas since 1980 the opposite has been true. However, the reasons underlying this reversal are not discussed.

Piketty's insistence that "economics should never have sought to divorce itself from the other social sciences" adds to his appeal. He states, "if we are to progress in our understanding of the historical dynamics of the wealth distribution and the structure of social classes, we must [...] avail ourselves of the methods of historians, sociologists and political scientists as well as economists" (p. 33). He is an erudite scholar, as illustrated by his clever use of Jane Austen and Honoré de Balzac to illuminate the dynamics of wealth inequality in the early nineteenth century.

Yet there is precious little sociology in this otherwise brilliant and compelling book. Piketty is engaged by demography, since for him one of the key forces shaping *g* is the extent of population growth, and he also examines in some detail the impact of increased longevity on the distribution of wealth. There are occasional comments about the danger to social stability posed by an extremely rapid growth in inequality, and the possibility that it could even spark revolutions. In reference to his native France, he remarks, "the history of inequality has always been chaotic and political, influenced by convulsive social changes and driven not only by economic factors but by countless social, political, military and cultural phenomena" (p. 275). But all that is left unexplored in this otherwise lucid and comprehensive volume, apart from vague references to "shocks" to the economic order. Labor unions, social movements, and other agents of collective action are barely mentioned. For this reviewer one of the most striking omissions was any discussion of Karl Polanyi, whose 1944 classic *The Great Transformation* is attracting considerable attention today precisely because it engages with so many of the same problems that Piketty excavates.

It may seem unfair to complain about such lacunae in regard to a book that already does so much so well. If it were a purely academic work, that would be a reasonable response. But Piketty presents himself as a public intellectual (p. 574), and has been wildly successful as such. That makes his lack of attention to human agency and to collective action much more consequential. It is an extreme example of a missed opportunity.

Piketty's policy prescription for a global tax on wealth is politically utopian, as he himself concedes. More importantly it reflects a technocratic view of social change and policymaking that seems entirely divorced from politics and social movements. After all, as Piketty is well aware, the great transformation that swept Europe—and, in a different way, the United States—in the first half of the last century did not emerge full-blown from the heads of policy experts but was the result of enormous social upheavals, popular mobilizations, and political struggles. Those remain relevant in the twenty-first century as well.

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